

ORIGINAL

SEALED

IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
FORT WORTH DIVISION

✓

UNITED STATES OF AMERICA

v.

No. 4:24-cr-001-Y

JOHN ANTHONY CASTRO (01)

**INDICTMENT**

The Grand Jury Charges:

Introduction

1. Defendant John Anthony Castro resided in Orlando, Florida, until in or about 2016 when he moved to Mansfield, Texas.

2. Castro is a law school graduate but is not licensed to practice law in the United States. Castro claimed to be a “federal practitioner” and registered as an “enrolled agent” with the Internal Revenue Service (“IRS”).

3. Castro owned and operated a virtual tax preparation business under the name of Castro & Company LLC, from locations in Orlando, Florida, Mansfield, Texas, and Washington, D.C. Castro employed multiple individuals, including family members, as part of his business.

4. Between 2016 and the present time, Castro devised and executed a scheme to defraud the United States by falsely creating and submitting false tax returns on behalf of unsuspecting taxpayers.

5. Taxpayers would seek out Castro's assistance in filing personal tax returns. Castro would promise a significantly higher refund than taxpayers could receive from other preparers and on many occasions, offered to split the additional refund with taxpayers. In order to achieve these larger refunds, Castro generated false deductions, that were not based in fact, and which were submitted without the taxpayer's knowledge.

Background on Certain IRS Tax Forms and Deductions

6. The IRS was an agency of the United States Department of Treasury, a department of the United States of America, which was responsible for enforcing and administering the tax laws of the United States.

7. IRS Form 1040, also known as the U.S. Individual Income Tax Return, was an IRS tax form used for personal federal income tax returns filed by United States residents. When properly completed, the form calculated the total taxable income of the taxpayer and determined how much was to be paid to or refunded by the federal government.

8. Under United States tax law, itemized deductions were eligible expenses that individual taxpayers can claim on federal income tax returns, which decrease taxable income, and are claimable in place of a standard deduction, if available. Most taxpayers were allowed a choice between itemized deductions and the standard deduction. When a taxpayer elected to itemize deductions, they often used an attachment to IRS Form 1040, known as Schedule A. Eligible deductions included, but were not limited to qualified medical expenses, a portion of state and local taxes, mortgage interest, certain sales tax payments, and certain charitable contributions.

9. Prior to 2018, taxpayers could claim certain unreimbursed employee business expenses as a deduction on Schedule A. This included expenses related to job travel, certain work-related education, and other business-related items. To qualify, the expense had to be directly related to a taxpayer's job, it had to be common and necessary to the taxpayer's line of work and had to be paid during the tax year. Taxpayers often used IRS Form 2106 to claim these deductions. The total of these expenses could not exceed 2% of a taxpayer's adjusted gross income. As a result of changes in tax law, starting in 2018, most taxpayers could no longer claim unreimbursed business expenses as a deduction.

10. A taxpayer could deduct certain "other" expenses as a deduction on Schedule A. The IRS identified specific categories that could be included in this "other" classification, including impairment-related work expenses of a disabled person, certain unrecovered investments in a pension, and federal estate tax on income in respect of a decedent. If an expense was not specifically identified by the IRS as subject to this deduction, the "other" expenses deduction could not be utilized by a taxpayer.

11. Prior to 2018, taxpayers could claim certain "miscellaneous" expenses as a deduction on Schedule A. These included items such as investment fees and expenses, clerical help and office rent in caring for investments, and fees to collect interest and dividends. The total of these expenses could not exceed 2% of a taxpayer's adjusted gross income. As a result of changes in tax law, starting in 2018, most taxpayers could no longer claim "miscellaneous" expenses as a deduction.

12. If a taxpayer owned or operated their own business, an attachment to IRS Form 1040, known as Schedule C, was used report profits and losses from that business. To qualify, the primary purpose for engaging in the activity had to be for income or profit and a taxpayer had to be involved in the activity with continuity and regularity. A hobby did not qualify as a business. Taxpayers were required to report all money flowing into the business as their “gross receipts” on Schedule C. Taxpayers could deduct certain expenses from these gross receipts, including costs related to licenses, utilities, and insurance. Taxpayers could also deduct the actual expenses of operating their car or truck or take the standard mileage rate.

#### **Castro’s Operation of the Scheme**

13. In or about February 2018, an undercover agent (identified hereinafter as “the UC”) contacted Castro & Company, LLC for assistance. The UC asked to meet with Castro in person and Castro’s office responded that face-to-face meetings required a \$5,000 retainer.

14. On or about February 13, 2018, the UC spoke with Castro over the telephone regarding the UC’s planned 2017 tax filings. This conversation was recorded. During the conversation, Castro told the UC that he could project the amount of the tax refund that the UC would most likely obtain from another firm and then compared that figure with the refund that Castro would obtain for the UC. Castro stated that he would split the additional tax refund with the UC.

15. On or about February 13, 2018, Castro sent the UC an email asking the UC to upload certain documents to a website designated by Castro. The UC uploaded a W2 Form and a Form 1098-T, showing wages of \$142,217.

16. On or about March 2, 2018, at Castro's direction, a Castro employee interviewed the UC over the telephone regarding any deductions. This call was recorded. The employee stated that Castro would make any decisions regarding what items would be included on the tax filing. The UC denied having any unreimbursed employee expenses, charitable donations, or other items that might cause deductions. Castro's employee did not specifically identify any deductions that would apply to the UC.

17. On or about March 12, 2018, Castro provided the UC with his tax analysis. Castro explained that if the UC utilized another tax prepared, the UC would receive a refund of \$373. Castro stated if the UC utilized Castro's services, the UC would receive a refund of \$6,007, which would be split with Castro, after deducting the \$373, resulting in the UC receiving \$3,008. The tax proposal indicated that the return would include \$29,339 in deductions but did not identify specific deductions that would be utilized. Castro did not provide the UC with a draft of the tax returns that generated the refund identified above.

18. On or about March 14, 2018, Castro filed the UC's tax return, which claimed \$29,339 in fraudulent deductions. The itemized deductions included \$2,400 in employee expenses and \$28,600 in "other" expenses that were listed as deductions. These were not expenses that the UC had identified or discussed with Castro and were not based on information provided by the UC to Castro or his employees and were not approved or

verified by the UC. These false statements resulted in a claimed refund of \$6,007.

19. On or about May 10, 2018, the IRS issued a tax refund of \$6,007 to the UC. Castro received \$2,999 for his services and the UC received the remaining amount of \$3,008.

20. Castro engaged in a similar pattern with other customer and taxpayers, as identified in the counts below.

21. Many of these victim-taxpayers, once they learned of what Castro had done in terms of the false deductions, demanded copies of their tax returns. Castro often delayed in providing the returns to the taxpayers for several months or even longer.

22. Many of these victim-taxpayers have filed amended returns, in an attempt to correct the falsities that Castro submitted, which has caused significant financial hardship.

23. For many victim-taxpayers, Castro would refuse to engage in communications once questioned about the filings or he would take retaliatory action against the taxpayers.



Counts One through Thirty-Three  
Aiding and Assisting in the Preparation and  
Presentation of a False and Fraudulent Return  
(Violation of 26 U.S.C. § 7206(2))

On or about the dates listed below, in the Fort Worth Division of the Northern District of Texas and elsewhere, the defendant, **John Anthony Castro**, did knowingly and willfully aid and assist in, and procure, counsel, and advise the preparation and presentation to the Internal Revenue Service of a U.S. Individuals Income Tax Return, Form 1040, for the taxpayer identified below, for the calendar year identified below, that was false and fraudulent as to a material matter, in that, it represented the taxpayer, was entitled under the Internal Revenue laws to deductions, when, as the defendant knew, the taxpayer was not entitled to claim a deduction in the amount claimed.

Count	Apprxomiate Filing Date	Taxpayer(s) Initials	Tax Year	False & Fraudulent Material Item
1	3/14/2018	A.J.	2017	\$2,400 in Schedule A "unreimbursed employee expenses"
				\$28,600 in Schedule A "other expenses"
				Claimed tax refund amount of \$6,007
2	4/17/2018	P.C. & A.C.	2017	\$6,999 in Schedule A "unreimbursed employee expenses"
				\$5,290 in Schedule A "other expenses"
				\$5,370 in Schedule C "gross receipts" income
				\$20,000 in Schedule C "depreciation" expenses
				\$13,421 in Schedule C "employee benefit programs" expenses
				\$6,771 in Schedule C "supplies" expenses
				\$862 in Schedule C "travel" expenses
3	3/7/2018	F.F.B. & J.B.	2017	Claimed tax refund amount of \$9,384
				\$8,315 in Schedule A "unreimbursed employee expenses"
				\$14,153 in Schedule A "other expenses"
				\$9,015 in Schedule A "other miscellaneous deductions"
				\$7,598 in Schedule C "utilities" expenses
				\$8,166 in Schedule C "employee benefit programs" expenses
				\$6,524 in Schedule C "depreciation" deductions
4	4/15/2019	F.F.B. & J.B.	2018	Claimed tax refund amount of \$9,360
				\$30,711 in Schedule C "depreciation" expenses
				\$8,622 in Schedule C "employee benefit programs" expenses
				\$7,885 in Schedule C "office" expenses
				\$5,914 in Schedule C "taxes and licenses" expenses
				Claimed tax refund amount of \$11,463

5	3/31/2020	F.F.B. & J.B.	2019	\$4,416 in Schedule C "car and truck" expenses
				\$8,098 in Schedule C "employee benefit programs" expenses
				\$1,520 in Schedule C "interest" expenses
				\$8,812 in Schedule C "office" expenses
				\$4,008 in Schedule C "taxes and licenses" expenses
				\$4,089 in Schedule C #2 "car and truck" expenses
				\$6,048 in Schedule C #2 "employee benefit programs" expenses
				\$9,801 in Schedule C #2 "office" expenses
				Claimed tax refund amount of \$10,448
6	3/24/2018	L.R.	2017	\$7,445 in Schedule A "unreimbursed employee expenses"
				\$19,400 in Schedule A "other expenses"
				\$4,168 in Schedule A "other miscellaneous deductions"
				Claimed tax refund amount of \$3,164
7	3/27/2019	L.R.	2018	\$32,018 in F2106 unreimbursed "employee business expenses"
				Claimed tax refund amount of \$3,797
8	3/1/2020	L.R.	2019	\$3,434 in Schedule A "other itemized deductions"
				\$25,677 in Schedule C "employee benefit programs" expenses
				Claimed tax refund amount of \$3,263
9	3/24/2018	C.K. & C.K.	2017	\$6,765 in Schedule A "unreimbursed employee expenses"
				\$2,252 in Schedule A "other expenses"
				\$14,508 in Schedule A "other miscellaneous deductions"
				\$1,452 in Schedule C "employee benefit programs" expenses
				Claimed tax refund amount of \$6,171
10	3/26/2019	C.K. & C.K.	2018	\$4,611 in F2106 unreimbursed "employee business expenses"
				\$8,705 in F2106 #2 unreimbursed "employee business expenses"
				\$7,163 in Schedule C "employee benefit programs" expenses
				\$2,140 in Schedule C "taxes and licenses" expenses
				Claimed tax refund amount of \$5,954
11	3/31/2020	C.K. & C.K.	2019	\$17,400 in F2106 unreimbursed "employee business expenses"
				\$4,161 in Schedule C "advertising" expenses
				\$28,081 in Schedule C "employee benefit programs" expenses
				\$1,396 in Schedule C "insurance" expenses
				\$6,264 in Schedule C "interest" expenses
				\$2,145 in Schedule C "other" expenses
				Claimed tax refund amount of \$10,753
12	3/30/2018	R.R. & R.R.	2017	\$6,937 in Schedule A "unreimbursed employee expenses"
				\$8,265 in Schedule A "other expenses"
				\$4,373 in Schedule A "other miscellaneous deductions"
				Claimed tax refund amount of \$2,132
13	5/10/2019	R.R. & R.R.	2018	\$26,416 in F2106 unreimbursed "employee business expenses"
				\$9,594 in F2106 #2 unreimbursed "employee business expenses"
				Claimed tax refund amount of \$4,128
14	5/1/2020	R.R. & R.R.	2019	\$8,560 in F2106 unreimbursed "employee business expenses"
				\$29,070 in F2106 #2 unreimbursed "employee business expenses"
				\$30,586 in Schedule A "other itemized deductions"
				Claimed tax refund amount of \$9,254
15	2/13/2018	J.S. & B.S.	2017	\$4,484 in Schedule A "unreimbursed employee expenses"
				\$598 in Schedule A "other expenses"
				\$4,040 in Schedule C "car and truck" expenses
				\$1,632 in Schedule C "depreciation" expenses
				\$2,348 in Schedule C "employee benefit programs" expenses
				Claimed tax refund amount of \$7,766




16	2/26/2019	J.S. & B.S.	2018	\$7,224 in F2106 unreimbursed "employee business expenses"
				\$7,842 in Schedule C "interest" expenses
				\$918 in Schedule C "other" expenses
				Claimed tax refund amount of \$11,563
17	3/4/2020	J.S. & B.S.	2019	\$6,671 in F2106 unreimbursed "employee business expenses"
				\$5,608 in Schedule C "employee benefit programs" expenses
				\$7,687 in Schedule C "interest" expenses
				\$1,000 in Schedule C "legal and professional services" expenses
				\$598 in Schedule C "repairs and maintenance" expenses
				\$2,916 in Schedule C "taxes and licenses" expenses
				\$858 in Schedule C "utilities" expenses
				\$918 in Schedule C "other" expenses
18	3/19/2018	J.Z. & K.Z.	2017	Claimed tax refund amount of \$11,367
				\$9,219 in Schedule A "unreimbursed employee expenses"
				\$17,750 in Schedule A "other expenses"
				\$1,518 in Schedule A "other miscellaneous deductions"
19	3/26/2019	J.Z. & K.Z.	2018	Claimed tax refund amount of \$1,861
				\$13,302 in F2106 unreimbursed "employee business expenses"
				\$15,292 in F2106 #2 unreimbursed "employee business expenses"
20	3/11/2020	J.Z. & K.Z.	2019	Claimed tax refund amount of \$2,637
				\$15,538 in F2106 unreimbursed "employee business expenses"
				\$15,653 in F2106 #2 unreimbursed "employee business expenses"
21	3/24/2018	J.M. & K.M.	2017	Claimed tax refund amount of \$3,087
				\$3,771 in Schedule A "unreimbursed employee expenses"
				\$7,516 in Schedule A "other expenses"
22	4/6/2018	C.W.	2017	Claimed tax refund amount of \$19,269
				\$6,210 in Schedule A "unreimbursed employee expenses"
				\$15,150 in Schedule A "other expenses"
				\$4,820 in Schedule A "other miscellaneous deductions"
23	4/12/2019	C.W.	2018	Claimed tax refund amount of \$2,028
				\$10,739 in F2106 unreimbursed "employee business expenses"
24	4/22/2020	C.W.	2019	Claimed tax refund amount of \$519
				\$9,382 in F2106 unreimbursed "employee business expenses"
				\$7,203 in Schedule A "other itemized deductions"
25	2/12/2018	K.Q. & B.Q.	2017	Claimed tax refund amount of \$2,213
				\$1,847 in Schedule A "unreimbursed employee expenses"
				\$6,843 in Schedule A "other itemized deductions"
26	4/7/2020	M.P. & M.P.	2019	Claimed tax refund amount of \$4,179
				\$47,160 in F2106 unreimbursed "employee business expenses"
				\$5,800 in Schedule E "auto and travel" expenses
				\$6,340 in Schedule C "car and truck" expenses
				\$38,000 in Schedule C "depreciation" expenses
				\$36,576 in Schedule C "employee benefit programs" expenses
				\$905 in Schedule C "office" expenses
				\$31,797 in Schedule C "supplies" expenses
				\$13,682 in Schedule C "taxes and licenses" expenses
				Claimed tax refund amount of \$32,987

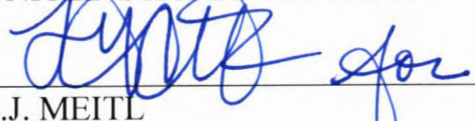
27	6/13/2018	M.N. & A.N.	2017	\$6,251 in Schedule A "unreimbursed employee expenses"
				\$15,648 in Schedule A "other expenses"
				\$2,400 in Schedule A "other miscellaneous deductions"
				Claimed tax refund amount of \$2,000
28	3/24/2018	A.L.	2017	\$9,666 in Schedule A "unreimbursed employee expenses"
				\$1,700 in Schedule A "other expenses"
				\$9,141 in Schedule A "other miscellaneous deductions"
				Claimed tax refund amount of \$6,755
29	4/29/2019	A.L.	2018	\$7,520 in Schedule A "gifts to charity"
				\$90,725 in F2106 unreimbursed "employee business expenses"
				Claimed tax refund amount of \$18,209
30	7/30/2020	F.R.	2019	\$9,350 in F2106 unreimbursed "employee business expenses"
				\$300 in Schedule C "advertising" expenses
				\$4,540 in Schedule C "car and truck" expenses
				\$21,000 in Schedule C "depreciation" expenses
				\$33,132 in Schedule C "employee benefit programs" expenses
				Claimed tax refund amount of \$8,001
31	2/28/2018	F.T. & J.T.	2017	\$8,482 in Schedule A "unreimbursed employee expenses"
				\$37,502 in Schedule A "other miscellaneous deductions"
				Claimed tax refund amount of \$13,859
32	3/14/2019	F.T. & J.T.	2018	\$98,519 in Schedule C "employee benefit programs" expenses
				Claimed tax refund amount of \$36,883
33	3/22/2020	F.T. & J.T.	2019	\$116,480 in Schedule C "employee benefit programs" expenses
				\$15,544 in Schedule C "interest" expenses
				\$21,000 in Schedule C "legal and professional services" expenses
				\$11,262 in Schedule C "taxes and licenses" expenses
				Claimed tax refund amount of \$45,106

In violation of 26 U.S.C. § 7206(2).

A TRUE BILL.

  
FOREPERSON

LEIGHA SIMONTON  
UNITED STATES ATTORNEY

  
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IN THE UNITED STATES DISTRICT COURT  
FOR THE NORTHERN DISTRICT OF TEXAS  
FORT WORTH DIVISION

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THE UNITED STATES OF AMERICA

v.

JOHN ANTHONY CASTRO (01)

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INDICTMENT

26 U.S.C. § 7206(2)

Aiding and Assisting in the Preparation and Presentation of a False  
and Fraudulent Return  
Counts 1-33

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A true bill rendered

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DALLAS

 FOREPERSON

Filed in open court this 3<sup>rd</sup> day of January, 2024.

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Warrant to Issue

  
UNITED STATES MAGISTRATE JUDGE

No Criminal Matter Pending